

The Leprosy Relief (Canada) Inc.
Financial Statements
December 31, 2023

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Independent Auditor's Report

To the Directors of
The Leprosy Relief (Canada) Inc.

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Opinion

We have audited the financial statements of The Leprosy Relief (Canada) Inc. (hereafter "the Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and fund balances and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, and the schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Raymond Chabot Grant Thornton LLP*¹

Montréal
June 20, 2024

¹ CPA auditor, public accountancy permit no. A131601

The Leprosy Relief (Canada) Inc.

Operations and Fund Balances

Year ended December 31, 2023

	2023		2022
	General Administrative Fund	Oswald Magniac Endowment Fund	Total
	\$	\$	\$
Revenues			
Donations (Note 3)	1,156,626		1,156,626
Other donations	4,695		4,695
Net investment income (Note 4)	<u>320,347</u>	<u>21,916</u>	<u>342,263</u>
	<u>1,481,668</u>	<u>21,916</u>	<u>1,503,584</u>
Expenses			
Financing campaigns (Schedule A)	54,169		54,169
Services to donors (Schedule B)	70,240		70,240
Administration (Schedule C)	100,216		100,216
Return on charitable gift annuities			1,890
Amortization of tangible capital assets	<u>588</u>		<u>588</u>
	<u>225,213</u>	-	<u>225,213</u>
Excess of revenues over expenses before contributions to projects	1,256,455	21,916	1,278,371
Contributions to projects	<u>1,212,860</u>	<u>21,916</u>	<u>1,234,776</u>
Excess of revenues over expenses	43,595	-	43,595
Fund balances, beginning of year	<u>6,380,828</u>	<u>815,683</u>	<u>7,196,511</u>
Fund balances, end of year	<u>6,424,423</u>	<u>815,683</u>	<u>7,240,106</u>

The accompanying notes and schedules are an integral part of the financial statements.

The Leprosy Relief (Canada) Inc.

Cash Flows

Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	43,595	779,713
Non-cash items		
Amortization of tangible capital assets	588	1,124
Net change in fair value of investments	<u>(166,112)</u>	<u>382,723</u>
	(121,929)	1,163,560
Net change in working capital items	<u>(13,761)</u>	<u>(30,045)</u>
Cash flows from operating activities	<u>(135,690)</u>	<u>1,133,515</u>
INVESTING ACTIVITIES		
Investments	(1,549,459)	(1,891,778)
Disposal of investments	<u>1,634,894</u>	<u>491,778</u>
Cash flows from investing activities	<u>85,435</u>	<u>(1,400,000)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt and cash flows from financing activities	<u>(40,000)</u>	<u></u>
Net decrease in cash	(90,255)	(266,485)
Cash, beginning of year	<u>832,573</u>	<u>1,099,058</u>
Cash, end of year	<u><u>742,318</u></u>	<u><u>832,573</u></u>

The accompanying notes and schedules are an integral part of the financial statements.

The Leprosy Relief (Canada) Inc.

Financial Position

December 31, 2023

	<u>2023</u>		<u>2022</u>	
	General Administrative Fund	Oswald Magniac Endowment Fund	Total	Total
	\$	\$	\$	\$
ASSETS				
Current				
Cash	742,318		742,318	832,573
Other receivables (Note 5)	30,548		30,548	16,787
Due from General Administrative Fund, without interest		15,197		
	<u>772,866</u>	<u>15,197</u>	<u>772,866</u>	<u>849,360</u>
Long-term				
Investments (Note 6)	5,742,602	800,486	6,543,088	6,462,411
Tangible capital assets (Note 7)	2,348		2,348	2,936
	<u>6,517,816</u>	<u>815,683</u>	<u>7,318,302</u>	<u>7,314,707</u>
LIABILITIES				
Current				
Trade payables and other operating liabilities (Note 8)	38,196		38,196	38,196
Long-term debt (Note 9)				40,000
Deferred contributions (Note 10)	40,000		40,000	40,000
Due to Oswald Magniac Endowment Fund, without interest		15,197		
	<u>93,393</u>		<u>78,196</u>	<u>118,196</u>
FUND BALANCES				
Unrestricted	6,424,423		6,424,423	6,380,828
Received for endowment purposes		815,683	815,683	815,683
	<u>6,424,423</u>	<u>815,683</u>	<u>7,240,106</u>	<u>7,196,511</u>
	<u>6,517,816</u>	<u>815,683</u>	<u>7,318,302</u>	<u>7,314,707</u>

The accompanying notes and schedules are an integral part of the financial statements.

On behalf of the Board,

Director

Director

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2023

1 - GOVERNING STATUTES AND PURPOSES OF THE ORGANIZATION

The Organization, incorporated under Section 211 of the *Canada Not-for-profit Corporations Act*, is a charitable organization which collects donations and contributions in order to distribute those funds to charitable organizations specializing in the treatment of leprosy, tuberculosis and other infectious diseases. It is a registered charity under the *Income Tax Act*.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and schedules. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Fund accounting

Assets, liabilities, revenues and expenses relating to service delivery and administrative activities are reported in the General Administrative Fund.

Endowment contributions are reported in the Oswald Magniac Endowment Fund. The net investment income generated from this fund must be used for charitable works to help, through medical and social actions, the victims of leprosy, tuberculosis and other infectious diseases, and no more than 10% of such revenue should be used for any of the Organization's administrative costs.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the General Administrative Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the General Administrative Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets of the Oswald Magniac Endowment Fund.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, income from the interest in net income of mutual funds and changes in fair value.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is recognized on a time apportionment basis. Income from the interest in net income of mutual funds is recognized upon distribution. Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Organization has elected to exclude from changes in fair value the interest income and interest in net income of mutual funds.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Organization's financial assets and liabilities from related party transactions are measured at cost.

Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value and those relating to financial assets and liabilities from related party transactions are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), except for mutual fund investments which are measured at fair value and bond investments which the Organization has elected to measure at fair value by designating that fair value measurement shall apply. With respect to the financial assets and liabilities from related party transactions, the Organization measures them using the cost method (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost or using the cost method, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in operations in the year the reversal occurs.

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization

Tangible capital assets are amortized over their estimated useful lives according to the diminishing balance method and the following annual rates and period:

	<u>Rates and period</u>
Furniture and fixtures	20%
Computer equipment	30%
Leasehold improvements	2 years

Write-down

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

3 - DONATIONS

	<u>2023</u>	<u>2022</u>
	\$	\$
Legacies from individuals	<u>390,819</u>	<u>1,663,717</u>
Donations		
Individuals	706,363	746,398
Not-for-profit organizations	51,919	51,543
Companies	<u>7,525</u>	<u>36,737</u>
	<u>765,807</u>	<u>834,678</u>
	<u>1,156,626</u>	<u>2,498,395</u>

4 - NET INVESTMENT INCOME

	<u>2023</u>	<u>2022</u>
	\$	\$
General Administrative Fund		
Investments at amortized cost		
Interest income	60,294	57,433
Investments at fair value		
Interest in net income of mutual funds	93,941	58,440
Net change in fair value	166,112	(382,723)
Oswald Magniac Endowment Fund		
Investments at amortized cost		
Interest income	<u>21,916</u>	<u>22,474</u>
	<u>342,263</u>	<u>(244,376)</u>

The net investment income from the Oswald Magniac Endowment Fund is \$21,916 for the year (\$22,474 in 2022). The total amount of this net investment income was used as contributions to projects.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2023

5 - OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
Interest receivable	28,931	9,806
Indirect taxes receivable	<u>1,617</u>	<u>6,982</u>
	<u>30,548</u>	<u>16,788</u>

6 - INVESTMENTS

	<u>2023</u>	<u>2022</u>
	\$	\$
General Administrative Fund		
Investments at amortized cost		
Guaranteed investment certificates, 1.1% to 5.1%, maturing at various dates until December 2028	2,536,804	1,298,446
Interest-bearing term savings	719,074	1,517,098
Investments at fair value		
Municipal bonds, 3.05% to 3.25% (3.05% to 3.8% as at December 31, 2022), maturing at various dates until October 2027	418,777	796,071
Provincial bonds, 2.05% to 5.75% (2.25% to 5.75% as at December 31, 2022), maturing at various dates until December 2051	292,989	271,334
Canadian corporate bonds, 1.1% to 6.93%, maturing at various dates until September 2042	123,866	195,745
Mutual funds	<u>1,651,092</u>	<u>1,594,463</u>
	<u>5,742,602</u>	<u>5,673,157</u>
Oswald Magniac Endowment Fund		
Investments at amortized cost		
Guaranteed investment certificates, 1.15% to 4.61%, maturing at various dates until December 2026	239,000	239,000
Investments at fair value		
Municipal bonds, 2.95% to 3.25%, maturing at various dates until October 2027	388,486	475,254
Canadian corporate bonds, 4.24% to 5.15% (3.19% as at December 31, 2022), maturing in April 2028	<u>173,000</u>	<u>75,000</u>
	<u>800,486</u>	<u>789,254</u>
	<u>6,543,088</u>	<u>6,462,411</u>

7 - TANGIBLE CAPITAL ASSETS

	<u>2023</u>			<u>2022</u>
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture and fixtures	4,078	1,730	2,348	2,936
Computer equipment	18,753	18,753		
Leasehold improvements	<u>780</u>	<u>780</u>		
	<u>23,611</u>	<u>21,263</u>	<u>2,348</u>	<u>2,936</u>

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2023

8 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2023</u>	<u>2022</u>
	\$	\$
Accounts payable and accrued liabilities	27,901	27,901
Fringe benefits payable – government remittances	<u>10,295</u>	<u>10,295</u>
	<u>38,196</u>	<u>38,196</u>

9 - LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
	\$	\$
Loan, secured by the Government of Canada		40,000
Current portion		<u>40,000</u>
	<u>-</u>	<u>-</u>

10 - DEFERRED CONTRIBUTIONS

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance, beginning of year	40,000	72,900
Amount recognized as revenue		<u>(32,900)</u>
Balance, end of year	<u>40,000</u>	<u>40,000</u>

The Organization is committed to deposit the annuities received in trust and to pay a return on these charitable gift annuities at a weighted average rate of 7% (3.6% as at December 31, 2022) until the death of the donor.

11 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position, other than the mutual fund investments. The Organization has determined that the financial assets with more credit risk exposure are Canadian corporate bonds since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

The mutual fund investments indirectly expose the Organization to credit risk.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk and other price risk, resulting from its investing activities.

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

Guaranteed investment certificates, interest-bearing term savings and bonds bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2023

11 - FINANCIAL RISKS (Continued)

The mutual fund investments indirectly expose the Organization to interest rate risk.

Other price risk

The Organization is exposed to other price risk due to mutual fund investments since changes in market prices could result in changes in fair value of these instruments.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

12 - COMMITMENTS

The Organization has entered into a lease agreement expiring in April 2024 which calls for lease payments of \$2,400 for the rental of an office space. Additionally, the Organization has entered into a governance program contract expiring in May 2026 for the support service for compliance with Law 25, which calls for the payment of an amount of \$21,600. Minimum payments for the next years are \$11,433 in 2024, \$9,212 in 2025 and \$3,355 in 2026.

The Leprosy Relief (Canada) Inc.

Schedules

Year ended December 31, 2023

	SCHEDULE A	
	<u>2023</u>	<u>2022</u>
	\$	\$
<i>FINANCING CAMPAIGNS</i>		
Salaries and employee benefits	32,451	34,544
Postage	16,656	16,997
Printing	4,155	10,216
Envelopes	542	5,026
Promotion	365	390
	<u>54,169</u>	<u>67,173</u>
	SCHEDULE B	
	<u>2023</u>	<u>2022</u>
	\$	\$
<i>SERVICES TO DONORS</i>		
Salaries and employee benefits	58,667	62,450
Receipts, envelopes and stamps	2,931	5,011
Data processing	5,414	4,562
Bank charges	3,228	4,078
	<u>70,240</u>	<u>76,101</u>
	SCHEDULE C	
	<u>2023</u>	<u>2022</u>
	\$	\$
<i>ADMINISTRATION</i>		
Salaries and fringe benefits	46,013	48,980
Professional fees	28,346	25,894
Rental expense	10,950	16,736
Office expenses	1,145	7,652
Telephone	1,172	1,010
Taxes	11,698	7,175
Insurance	892	829
	<u>100,216</u>	<u>108,276</u>

The Leprosy Relief (Canada) Inc. Additional Information – Project Contributions

Year ended December 31, 2023
(Unaudited)

	<u>2023</u>	<u>2022</u>
	\$	\$
AFRICA		
Chad	22,240	20,868
Democratic Republic of Congo	95,616	118,004
Ethiopia	74,237	69,737
Guinea-Bissau	22,237	20,272
Ivory Coast	40,015	40,015
Madagascar	51,995	41,735
Mozambique	74,123	67,573
Senegal	66,813	62,763
	<u>447,276</u>	<u>440,967</u>
AMERICA		
Dominican Republic	154,378	137,762
Peru	23,669	22,285
	<u>178,047</u>	<u>160,047</u>
ASIA		
Bangladesh	62,174	97,629
India	161,574	167,634
Nepal	110,241	
Sri Lanka		60,771
	<u>333,989</u>	<u>326,034</u>
OTHER		
Education	9,554	9,376
ILEP research	93,073	86,243
International cooperation	60,650	92,384
Project management	71,622	67,356
IDEA Project	40,565	38,362
	<u>275,464</u>	<u>293,723</u>
	<u>1,234,776</u>	<u>1,220,771</u>